

**EAST GREENE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16-17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Revenues, Expenses and Changes in Fund Net Assets	G 22
Statement of Cash Flows	H 23
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Assets	I 24
Statement of Changes in Fiduciary Net Assets	J 25
Notes to Financial Statements	26-34
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	35
Note to Required Supplementary Information - Budgetary Reporting	36
Schedule of Funding Progress for the Retiree Health Plan	37
Other Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 38
Fiduciary Funds:	
Combining Statement of Changes in Fund Balances - Private Purpose Trusts	2 39
Schedule of Changes in Fiduciary Net Assets - Agency Fund	3 40
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4 41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	42-43
Schedule of Findings	44-47

EAST GREENE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Marc Hoffman	President	2013
Richard Gordon	Vice President	2013
Timothy J. Bardole		2011
Kevin Fouch		2011
John Lint		2011

School Officials

G. Michael Harter	Superintendent
Shawn Angell	District Secretary
Jenny Wessling	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- IRS Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
East Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of East Greene Community School District, Grand Junction, Iowa as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of East Greene Community School District at June 30, 2011 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2012 on our consideration of East Greene Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 35 through 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Greene Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 30, 2012

EAST GREENE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

East Greene Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,923,299 in fiscal 2010 to \$4,702,027 in fiscal 2011, while General Fund expenditures increased from \$4,032,885 in fiscal 2010 to \$4,246,359 in fiscal 2011.
- The increase in General Fund revenues was primarily attributable to increased local property tax revenues and restoration of prior state aid cuts. The increase in expenditures was primarily due to payroll increases. The District expanded its sharing of high school classes with Jefferson-Scranton Community School District in an effort to maintain program offerings while still saving money.
- The District collects statewide sales, services and use tax funds. These monies are being used for equipment and infrastructure purchases.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of East Greene Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report East Greene Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which East Greene Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major governmental funds and a multiyear comparison of revenues and expenditures.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

East Greene Community School District Annual Financial Report

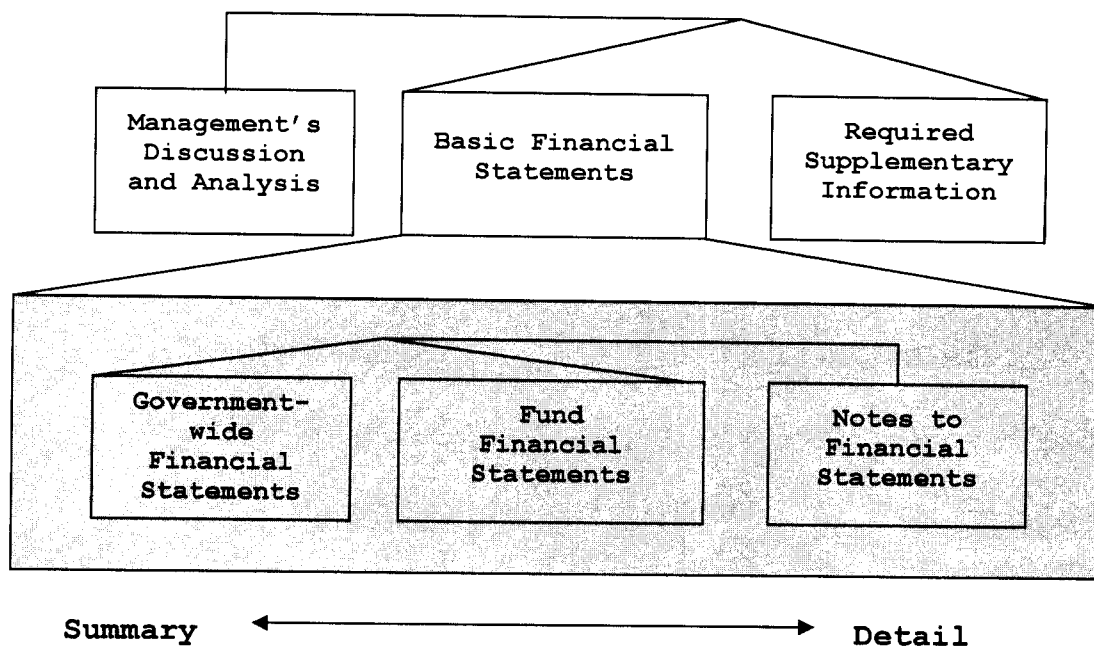


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain revenue collected for District employees and school foundation and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets - Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to the year ended June 30, 2010.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 3,443	2,885	60	53	3,503	2,938	19.23%
Capital assets	595	685	4	10	599	695	-13.81%
Total assets	4,038	3,570	64	63	4,102	3,633	12.91%
Current liabilities	2,390	2,498	40	28	2,430	2,526	-3.80%
Non-current liabilities	107	127	-	-	107	127	-15.75%
Total liabilities	2,497	2,625	40	28	2,537	2,653	-4.37%
Net Assets							
Invested in capital assets, net of related debt	554	640	4	10	558	650	-14.15%
Restricted	658	398	-	-	658	398	65.33%
Unrestricted	329	(93)	20	25	349	(68)	513.24%
Total net assets	\$ 1,541	945	24	35	1,565	980	59.69%

The District's combined net assets increased by 60%, or approximately \$585,000 over the prior year. The General Fund increased by over \$450,000 due to an additional property tax levy and restoration of state aid cuts. Restricted fund growth was primarily a result of increases in the Capital Projects Funds.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service and sales	\$ 104	203	49	47	153	250	-38.80%
Operating grants, contributions and restricted interest	822	746	115	108	937	854	9.72%
General revenues:							
Property tax	1,976	1,742	-	-	1,976	1,742	13.43%
Income surtax	121	128	-	-	121	128	-5.47%
Statewide sales, service and use tax	223	274	-	-	223	274	-18.61%
Unrestricted state grants	1,481	1,280	-	-	1,481	1,280	15.70%
Unrestricted investment earnings	1	23	-	-	1	23	-95.65%
Other	487	57	-	-	487	57	754.39%
Total revenues	<u>5,215</u>	<u>4,453</u>	<u>164</u>	<u>155</u>	<u>5,379</u>	<u>4,608</u>	<u>16.73%</u>
Program expenses:							
Governmental activities:							
Instruction	3,148	3,092	-	-	3,148	3,092	1.81%
Support Services	1,168	1,070	-	-	1,168	1,070	9.16%
Non-instructional programs	3	9	175	156	178	165	7.88%
Other expenses	299	206	-	-	299	206	45.15%
Total expenses	<u>4,618</u>	<u>4,377</u>	<u>175</u>	<u>156</u>	<u>4,793</u>	<u>4,533</u>	<u>5.74%</u>
Change in net assets	<u>\$ 597</u>	<u>76</u>	<u>(11)</u>	<u>(1)</u>	<u>586</u>	<u>75</u>	<u>781.33%</u>

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,214,283 and expenses were \$4,617,709 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ending June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 3,148	3,092	1.81%	2,379	2,333	1.97%
Support services	1,168	1,070	9.16%	1,167	1,034	12.86%
Non-instructional programs	3	9	-66.67%	3	96	-96.88%
Other expenses	299	206	45.15%	143	51	180.39%
Totals	\$ 4,618	4,377	5.51%	3,692	3,514	5.07%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$103,744.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$575,479.
- The net cost of governmental activities was financed with \$1,976,491 in property and other local taxes and \$1,480,665 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$164,546 and expenses were \$175,047. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for food service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, East Greene Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$935,109, a increase over last year's ending fund balance of \$290,424. Increases in the General, Management and Sales Tax Funds were the primary factors in the increase.

Governmental Fund Highlights

- The District's General Fund financial position improved from the prior year. The District has carefully monitored discretionary spending to try to lessen spending in all areas. Grants are obtained whenever possible to enhance the District's educational offerings. Sharing high school classes with Jefferson-Scranton Community School District was expanded in 2008. The District levied a cash reserve levy to offset the effects of prior state aid cuts.
- The statewide sales, services and use tax began in 2009. It is hoped that this will increase revenues in the Capital Projects Fund. This money is being used for equipment and infrastructure purposes.

Proprietary Fund Highlights

The School Nutrition Fund balance decreased by \$10,501 during the fiscal year ending June 30, 2011. The District continues to monitor expenses in an effort to keep prices down.

BUDGETARY HIGHLIGHTS

The District's receipts were \$331,000 greater than budgeted receipts. This variance resulted from the District receiving more than expected local source revenues.

Total expenditures were less than budgeted as a whole. Expenditures did not exceed the amended budget amounts in any of the four functional areas. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. The District did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested over \$595,000, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expenses for the year were \$107,333.

The original cost of the District's capital assets was \$3,001,207. Governmental funds account for \$2,936,655, with the remainder of \$64,552 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6							
Condensed Statement of Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
June 30,		June 30,		June 30,		June 30,	
2011	2010	2011	2010	2011	2010	2010-2011	
Land	\$ 29	29	-	-	29	29	0.00%
Land improvements	63	77	-	-	63	77	-18.18%
Buildings	315	341	-	-	315	341	-7.62%
Furniture and equipment	188	238	4	10	192	248	-22.58%
Totals	\$ 595	685	4	10	599	695	-13.81%

Long-term Debt

The District leased a bus during the year ending June 30, 2010. The final payment of \$24,268 will be made during FY12.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- The District is expanding whole grade sharing with Jefferson-Scranton in FY13.
- The statewide sales, services and use tax began in 2009. It is hoped that revenues in the Capital Projects Fund will increase as a result.
- The District's health insurance costs continue to increase. Control of these costs is necessary to maintain a stable fund balance.

- Enrollment driven revenues, such as property taxes, and state foundation aid, can only be maintained by maintaining or increasing the District's student count.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", "GASB 34", reduction in state aid for juvenile homes and the unfunded PSEO mandate to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shawn Angell, District Secretary, East Greene Community School District, 405 12th Street South, Grand Junction, Iowa 50107.

Basic Financial Statements

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 1,119,048	51,693	1,170,741
Receivables:			
Property tax:			
Current year	27,050	-	27,050
Succeeding year	1,909,053	-	1,909,053
Income surtax	117,197	-	117,197
Due from other governments	230,075	-	230,075
Other receivables	40,213	3,692	43,905
Inventories	-	4,635	4,635
Capital assets, net of accumulated depreciation	595,423	4,377	599,800
Total assets	<u>4,038,059</u>	<u>64,397</u>	<u>4,102,456</u>
Liabilities			
Accounts payable	171,547	-	171,547
Accrued payroll and benefits	256,075	40,213	296,288
Deferred revenue:			
Succeeding year property tax	1,909,053	-	1,909,053
Federal programs	53,655	-	53,655
Long term liabilities:			
Portion due within one year:			
Early retirement	41,548	-	41,548
Bus lease payable	23,282	-	23,282
Portion due after one year:			
Net OPEB liability	23,547	-	23,547
Early retirement	17,906	-	17,906
Total liabilities	<u>2,496,613</u>	<u>40,213</u>	<u>2,536,826</u>
Net assets			
Invested in capital assets, net of related debt	554,235	4,377	558,612
Restricted for:			
Categorical funding	2,964	-	2,964
Student activities	34,396	-	34,396
Management fund	208,059	-	208,059
School infrastructure	349,817	-	349,817
Physical plant and equipment levy	63,414	-	63,414
Unrestricted	328,561	19,807	348,368
Total net assets	<u>\$ 1,541,446</u>	<u>24,184</u>	<u>1,565,630</u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 3,147,674	103,744	665,343	(2,378,587)	-	(2,378,587)
Support services:						
Student services	107,417	-	-	(107,417)	-	(107,417)
Instructional staff services	143,414	-	-	(143,414)	-	(143,414)
Administration services	365,450	-	-	(365,450)	-	(365,450)
Operation and maintenance of plant services	369,237	-	566	(368,671)	-	(368,671)
Transportation services	181,950	-	-	(181,950)	-	(181,950)
	1,167,468	-	566	(1,166,902)	-	(1,166,902)
Non-instructional programs:						
Community service & education	3,236	-	-	(3,236)	-	(3,236)
	3,236	-	-	(3,236)	-	(3,236)
Other expenditures:						
Interest on long-term debt	624	-	-	(624)	-	(624)
Facilities acquisition and construction	41,274	-	305	(40,969)	-	(40,969)
AEA flowthrough	155,570	-	155,570	-	-	-
Depreciation (unallocated)*	101,863	-	-	(101,863)	-	(101,863)
	299,331	-	155,875	(143,456)	-	(143,456)
Total governmental activities	4,617,709	103,744	821,784	(3,692,181)	-	(3,692,181)

EAST GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)		\$ 935,109
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>		
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.		117,197
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		595,423
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Early retirement payable	\$ (59,454)	
Net OPEB liability	(23,547)	
Bus lease payable	<u>(23,282)</u>	<u>(106,283)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 1,541,446</u></u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	Capital Projects					Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Use Tax	Physical Plant and Equipment Levy		
Revenues:							
Local sources:							
Local tax	\$ 1,879,440	-	161,239	222,872	37,420	-	2,300,971
Tuition	103,744	-	-	-	-	-	103,744
Other	507,129	70,512	532	305	34	-	578,512
State sources	1,885,496	-	-	-	-	-	1,885,496
Federal sources	326,218	-	-	-	-	-	326,218
Total revenues	4,702,027	70,512	161,771	223,177	37,454	-	5,194,941
Expenditures:							
Instruction	3,051,537	75,438	19,605	-	-	-	3,146,580
Support services:							
Student services	107,417	-	-	-	-	-	107,417
Instructional staff services	143,414	-	-	11,860	-	-	155,274
Administration services	365,450	-	-	-	-	-	365,450
Operation and maintenance of plant services	251,043	-	25,936	92,258	-	-	369,237
Transportation services	168,692	-	9,740	3,518	-	-	181,950
	1,036,016	-	35,676	107,636	-	-	1,179,328
Non-instructional programs:							
Community service & education	3,236	-	-	-	-	-	3,236
	3,236	-	-	-	-	-	3,236

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	Capital Projects					Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Service and Use Tax	Physical Plant and Equipment Levy		
Other expenditures:							
Long-term debt:							
Principal	-	-	-	-	-	22,338	22,338
Interest	-	-	-	-	-	1,930	1,930
Facilities acquisition and construction	-	-	-	15,941	25,333	-	41,274
AEA flowthrough	155,570	-	-	-	-	-	155,570
	155,570	-	-	15,941	25,333	24,268	221,112
Total expenditures	4,246,359	75,438	55,281	123,577	25,333	24,268	4,550,256
Excess (deficiency) of revenues over (under) expenditures	455,668	(4,926)	106,490	99,600	12,121	(24,268)	644,685
Other financing sources (uses):							
Operating transfers in	-	-	-	-	-	24,268	24,268
Operating transfers out	-	-	-	(24,268)	-	-	(24,268)
	-	-	-	(24,268)	-	24,268	-
Net change in fund balances	455,668	(4,926)	106,490	75,332	12,121	-	644,685
Fund balances beginning of year	(217,793)	39,322	143,117	274,485	51,293	-	290,424
Fund balances end of year	\$ 237,875	34,396	249,607	349,817	63,414	-	935,109

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 644,685

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change from the prior fiscal year.

19,342

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 11,860	
Depreciation expense	<u>(101,863)</u>	(90,003)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

22,338

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

1,306

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	14,495	
Other postemployment benefits	<u>(15,589)</u>	<u>(1,094)</u>

Change in net assets of governmental activities (Exhibit B) \$ 596,574

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 49,358
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	60,761
Benefits	15,148
Services	4,844
Supplies	88,824
Depreciation	5,470
Total operating expenses	<u>175,047</u>
Operating (loss)	<u>(125,689)</u>
Non-operating revenues:	
Interest on investments	17
State sources	1,694
Federal sources	<u>113,477</u>
	<u>115,188</u>
Change in net assets	(10,501)
Net assets beginning of year	<u>34,685</u>
Net assets end of year	<u>\$ 24,184</u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2011

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 45,666
Cash payments to employees for services	(63,569)
Cash payments to suppliers for goods or services	(81,135)
Net cash (used by) operating activities	<u>(99,038)</u>
Cash flows from non-capital financing activities:	
State grants received	1,694
Federal grants received	100,944
Net cash provided by non-capital financing activities	<u>102,638</u>
Cash flows from investing activities:	
Interest on investments	<u>17</u>
Net increase in cash and cash equivalents	3,617
Cash and cash equivalents beginning of year	<u>48,076</u>
Cash and cash equivalents end of year	<u><u>51,693</u></u>
Reconciliation of operating (loss) to net cash (used by)	
operating activities:	
Operating (loss)	(125,689)
Adjustments to reconcile operating (loss) to net cash	
(used by) operating activities:	
Depreciation	5,470
Commodities used	12,533
(Increase) in receivables	(3,692)
Increase in accrued payroll and benefits	12,340
	<u><u>\$ (99,038)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$12,533.

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts <u>Scholarships</u>	Agency Funds <u></u>
Assets		
Cash and pooled investments	\$ 54,685	29,375
Total assets	<u>54,685</u>	<u>29,375</u>
Liabilities		
Other payables	<u>-</u>	<u>29,375</u>
Net Assets		
Reserved for scholarships	<u>\$ 54,685</u>	<u>-</u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trusts <u>Scholarships</u>
Additions:	
Local sources:	
Contributions	\$ -
Interest on investments	-
Total additions	-
Deductions:	
Instruction:	
Other	1,900
Total deductions	1,900
Change in net assets	(1,900)
Net assets beginning of year	56,585
Net assets end of year	<u>\$ 54,685</u>

See notes to financial statements.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

East Greene Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Grand Junction and Rippey, Iowa, and agricultural area in Greene and Boone Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, East Greene Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. East Greene Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene and Boone Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra-curricular activities conducted on behalf of the students.

The Capital Projects Fund, Physical Plant and Equipment Levy Fund, is utilized to account for the maintenance and equipping of the District's facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund, Statewide Sales Service and Use Tax, is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's major proprietary fund is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarships awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget by April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000
Intangible assets	50,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years
Intangible assets	5-10 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent grant proceeds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$247,866 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 29,000	-	-	29,000
Capital assets being depreciated:				
Land Improvements	352,808	-	-	352,808
Buildings	1,149,857	-	-	1,149,857
Furniture and Equipment	1,681,732	11,860	288,602	1,404,990
Total capital assets being depreciated	3,184,397	11,860	288,602	2,907,655
Less accumulated depreciation for:				
Land Improvements	276,135	14,112	-	290,247
Buildings	809,250	25,644	-	834,894
Furniture and Equipment	1,442,586	62,107	288,602	1,216,091
Total accumulated depreciation	2,527,971	101,863	288,602	2,341,232
Total capital assets being depreciated, net	656,426	(90,003)	-	566,423
Governmental activities, capital assets, net	\$ 685,426	(90,003)	-	595,423
Business type activities:				
Furniture and equipment	\$ 64,552	-	-	64,552
Less accumulated depreciation	54,705	5,470	-	60,175
Business type activities capital assets, net	\$ 9,847	(5,470)	-	4,377
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 101,863
Business type activities:				
Food service operations				\$ 5,470

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$135,715, \$115,169, and \$126,023 respectively, equal to the required contributions for each year.

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Bus Lease	\$ 45,620	-	22,338	23,282	23,282
Net OPEB Liability	7,958	15,589	-	23,547	-
Early Retirement Payable	73,949	35,812	50,307	59,454	41,548
Total	\$127,527	51,401	72,645	106,283	64,830

Note Payable

The District leased a school bus from Blue Bird Body Company with an option to buy. The District paid \$24,268 down and has two payments of \$24,268 due in Fiscal Years 2011 and 2012. Imputed interest of 4.23% is included in the payments. Proceeds of the statewide sales, services and use tax are being used to make the payments.

Early Retirement

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-nine and employees must have completed twelve years of continuous service to the District. Employees must also complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible certified employee is equal to 100% of the difference between the salary schedule base and the employee's placement on the salary schedule. Supplemental pay, extended contract and phase monies are not included. The early retirement incentive for each eligible non-certified employee is equal to no more than 40% of that employee's salary in the last year of employment depending on years with the District.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$155,570 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2010-11A	6/30/10	6/23/11	\$ -	300,000	300,000	-
2010-11B	1/26/11	1/25/12	-	-	-	-
Total			\$ -	300,000	300,000	-

During the year ended June 30, 2011, the District paid \$4,690 of interest on the ISCAP warrants.

(8) Inter-fund Transfers

The detail of inter-fund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$24,268

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(9) Related Party Transactions

The District engaged in business transactions with a board member. Details of these transactions are shown in the Schedule of Findings, item II-D-11.

(10) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 40 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$16,732
Interest on net OPEB Obligation	199
Adjustment to annual required contribution	(1,218)
Annual OPEB Cost	15,713
Contributions made	(124)
Increase in net OPEB obligation	15,589
Net OPEB obligation beginning of year	7,958
Net OPEB obligation end of year	\$23,547

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$9,683	17.8%	\$7,958
June 30, 2011	\$15,713	0.8%	\$23,547

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$125,086, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$125,086. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,029,000 and the ratio of the UAAL to covered payroll was 6.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	51,293
Change in fund type classification per implementation of GASB Statement No. 54	<u>51,293</u>	<u>(51,293)</u>
Balances July 1, 2010, as restated	<u>\$51,293</u>	<u>-</u>

Required Supplementary Information

EAST GREENE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 2,983,227	49,375	3,032,602	2,555,852	2,555,852	476,750
State sources	1,885,496	1,694	1,887,190	2,177,149	2,177,149	(289,959)
Federal sources	326,218	113,477	439,695	295,000	295,000	144,695
Total revenues	<u>5,194,941</u>	<u>164,546</u>	<u>5,359,487</u>	<u>5,028,001</u>	<u>5,028,001</u>	<u>331,486</u>
Expenditures/expenses:						
Instruction	3,146,580	-	3,146,580	3,241,239	3,241,239	94,659
Support services	1,179,328	-	1,179,328	1,582,871	1,582,871	403,543
Non-instructional programs	3,236	175,047	178,283	214,329	214,329	36,046
Other expenditures	221,112	-	221,112	475,495	475,495	254,383
Total expenditures/expenses	<u>4,550,256</u>	<u>175,047</u>	<u>4,725,303</u>	<u>5,513,934</u>	<u>5,513,934</u>	<u>788,631</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	644,685	(10,501)	634,184	(485,933)	(485,933)	1,120,117
Other financing sources (uses)	-	-	-	24,268	24,268	(24,268)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	644,685	(10,501)	634,184	(461,665)	(461,665)	1,095,849
Balance beginning of year	290,424	34,685	325,109	507,665	507,665	(182,556)
Balance end of year	<u>\$ 935,109</u>	<u>24,184</u>	<u>959,293</u>	<u>46,000</u>	<u>46,000</u>	<u>913,293</u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$125	\$125	0.0%	\$2,050	6.1%
2011	Jul 1, 2009	\$0	\$125	\$125	0.0%	\$2,029	6.2%

See Note 10 in the accompanying Notes to Financial Statements for the plan description,
funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Advisory Committee	\$ 1,518	-	486	1,032
High School Student Council	947	1,040	1,222	765
Junior High Student Council	106	-	-	106
Drama	364	-	541	(177)
Science 7-12	23	-	-	23
Instrumental Music	1,778	20	545	1,253
Library	7	-	-	7
SADD	100	-	-	100
Home Ec	1,062	-	-	1,062
Class of 2005	18	-	-	18
Class of 2006	1,243	-	-	1,243
Class of 2007	265	-	-	265
Class of 2008	271	-	-	271
Class of 2009	2,067	-	-	2,067
Class of 2010	886	-	400	486
Class of 2011	6,492	100	6,103	489
Class of 2012	708	11,325	8,563	3,470
Class of 2013	-	2,973	1,110	1,863
Assembly	2,419	-	-	2,419
Lockers	1,917	-	-	1,917
Photography	10	-	-	10
National Honor Society	307	556	489	374
Athletic Fund Balance	2,347	2,153	4,993	(493)
Athletic Special	1,366	12,187	2,109	11,444
Basketball	1,204	6,951	9,678	(1,523)
Girls Basketball Fundraiser	455	-	-	455
Football	778	5,505	9,902	(3,619)
Baseball	(2,696)	4,781	4,697	(2,612)
Volleyball	1,381	2,776	1,954	2,203
Volleyball Fundraiser	39	-	-	39
Softball	(1,765)	-	1,839	(3,604)
Track	(264)	415	2,342	(2,191)
Cross Country	(118)	-	114	(232)
Golf	(65)	27	633	(671)
Magazine Sales	1,572	-	-	1,572
Weight Room	7,312	12,146	10,879	8,579
Football Cheerleaders	928	1,712	2,027	613
Basketball Cheerleaders	185	-	-	185
Elementary Student Council	545	3,272	2,371	1,446
Elementary Yearbook	2,025	-	-	2,025
Art 1-6	5	-	-	5
Band - Elementary Resale	(210)	30	-	(180)
Annual	(1,456)	1,360	342	(438)
Art 7-12	2,568	-	1,222	1,346
Band - High School Resale	425	946	607	764
Art Club	253	237	270	220
Total	\$ 39,322	70,512	75,438	34,396

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fund Balances
Fiduciary Funds - Private Purpose Trusts

Year ended June 30, 2011

	Morse- Kennedy	Vivian & Howard Cox	Junction Masonic	Claus Loof	Beaty	Kay Sweet Scholarship	Totals
Revenues:							
Local sources:							
Contributions	\$ -	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Expenditures:							
Instruction:							
Regular instruction:							
Other	100	1,600	-	100	-	100	1,900
	100	1,600	-	100	-	100	1,900
Excess (deficiency) of revenues over (under) expenditures	(100)	(1,600)	-	(100)	-	(100)	(1,900)
Balance beginning of year	968	22,027	1,288	21,439	10,507	356	56,585
Balance end of year	\$ 868	20,427	1,288	21,339	10,507	256	54,685

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Net Assets
Agency Fund

Year ended June 30, 2011

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Teachers Lounge	\$ 3,023	125	-	3,148
Board Clearing	396	-	-	396
Café Flex Plan	3,529	5,858	6,933	2,454
Foundation	<u>23,377</u>	<u>-</u>	<u>-</u>	<u>23,377</u>
	<u>\$ 30,325</u>	<u>5,983</u>	<u>6,933</u>	<u>29,375</u>

See accompanying independent auditor's report.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Seven Years

	2011	2010	2009	2008	2007	2006	2005	2004
	Modified Accrual Basis							
Revenues:								
Local sources:								
Local tax	\$2,300,971	2,133,128	1,938,796	1,571,133	1,721,705	1,553,476	1,613,843	1,478,049
Tuition	103,744	125,349	128,414	119,869	107,569	140,894	136,591	102,867
Other	578,512	245,427	166,071	140,039	170,364	142,012	186,911	124,871
State sources	1,885,496	1,665,127	2,030,162	2,023,730	1,837,205	1,978,788	1,817,284	1,715,511
Federal sources	326,218	272,861	174,956	145,180	133,005	208,623	229,570	113,355
Total	<u>\$5,194,941</u>	<u>4,441,892</u>	<u>4,438,399</u>	<u>3,999,951</u>	<u>3,969,848</u>	<u>4,023,793</u>	<u>3,984,199</u>	<u>3,534,653</u>
Expenditures:								
Instruction	\$3,146,580	3,023,307	2,821,205	2,710,819	2,752,070	2,711,882	2,642,669	2,576,108
Support services:								
Student services	107,417	79,875	79,424	90,915	57,064	72,501	68,904	76,606
Instructional staff	155,274	130,673	67,970	85,594	175,289	157,334	164,938	140,744
Administration	365,450	379,212	377,240	373,880	441,507	360,621	415,716	415,123
Operation and maintenance of plant	369,237	411,410	296,535	306,152	269,480	400,412	243,296	236,822
Transportation	181,950	190,843	142,997	216,354	242,850	146,018	184,796	150,474
Non-instructional programs:								
Food service operations	-	-	-	-	-	-	-	2,457
Community service operations	3,236	9,441	1,696	2,645	3,754	3,041	3,224	1,825
Other expenditures:								
Facilities acquisition	41,274	14,221	82,656	126,926	211,487	33,928	136,975	87,630
Debt service:								
Principal	22,338	13,004	24,132	11,200	11,200	11,200	11,200	11,200
Interest	1,930	554	626	-	-	-	-	-
AEA flowthrough	155,570	154,176	142,731	138,756	135,014	133,479	128,599	130,621
Total	<u>\$4,550,256</u>	<u>4,406,716</u>	<u>4,037,212</u>	<u>4,063,241</u>	<u>4,299,715</u>	<u>4,030,416</u>	<u>4,000,317</u>	<u>3,829,610</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
 - Year Round Tax Planning
 - Payroll & Sales Tax Preparation
 - I.R.S. Representation
 - Monthly/Quarterly Write-Up
 - Data Processing Services
 - Payroll Preparation
 - Financial Statement Preparation
 - Bank Loan Assistance
- Plus:**
- Over 30 years of Expertise and Experience
 - Evenings & Saturdays Available by Appointment
 - Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
East Greene Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of East Greene Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Greene Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of East Greene Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Greene Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11, I-B-11 and I-D-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-11 to be a significant deficiency.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Compliance and Other Matters

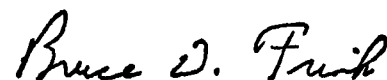
As part of obtaining reasonable assurance about whether East Greene Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

East Greene Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit East Greene Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of East Greene Community School District and other parties to whom East Greene Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of East Greene Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 30, 2012

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

I-B-11 Use of Signature Stamp - We noted that the Board President used a signature stamp to sign checks. We determined that control of the stamp was not maintained by the Board President, rather by the District Secretary. This allows the District Secretary to control both signatures required to sign checks under the Code of Iowa.

Recommendation - We recommend that control of the signature stamp be maintained by the Board President. If necessary, another individual may be designated to sign checks in the Board President's absence.

Response - We will investigate possible alternatives.

Conclusion - Response accepted.

I-C-11 Accounting Records - In the District's Certified Annual Report, total assets in the General Fund are overstated by \$1,108,299 and total liabilities are overstated by \$1,116,596. This is a net increase in fund balance of \$8,297. These overstatements occurred as a result of the District including the June 30, 2009 assets and liabilities of the Iowa School Cash Anticipation Program. These should have all been removed from the financial statements showing a decrease in the deficit reported for the year. As this is a repeat comment, we recommend that the District obtain additional assistance in reviewing the CAR prior to submission.

Recommendation - We recommend these amounts be removed and the corresponding difference be included in the FY12 Certified Annual Report.

Response - We will comply.

Conclusion - Response accepted.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:
(continued):

I-D-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed certified budget amounts in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

II-B-11 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

II-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Timothy Bardole, Board President	Coaching	<u>\$2,499</u>

The transaction with Mr. Bardole does not appear to violate Chapter 279.7A of the Code of Iowa as it does not exceed the \$2,500 limit.

Recommendation - The District should review these types of transactions annually to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-11 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

II-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-H-11 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-I-11 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-J-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

EAST GREENE COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$274,485
Revenues/transfers in:		
Sales tax revenues	\$157,018	
Other local revenues	<u>305</u>	<u>157,323</u>
		431,808
Expenditures/transfers out:		
School infrastructure construction	108,199	
Equipment	15,378	
Transfers to other funds:		
Debt service fund	<u>24,268</u>	<u>147,845</u>
Ending balance		<u>\$283,963</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F or the Code of Iowa.